

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SS-15 NSC-05 SP-02 CIAE-00 INR-07

NSAE-00 EB-07 L-03 OPIC-03 COME-00 TRSE-00 OMB-01

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R 032140Z OCT 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 7077

C O N F I D E N T I A L LIMA 8264

EO 11652: GDS

TAGS: EINV, EIND, PFOR, PE

SUBJ: GULF EXPROPRIATION

REF: STATE 232593

1. CECIL SHOWED UP OCTOBER 2 AND HE AND MCCAIN MET WITH AMBASSADOR THAT AFTERNOON. HE CONFIRMED THAT GULF NOW WANTS TO NEGOTIATE COMPENSATION FOR ITS PROPERTIES EXPROPRIATED MAY 14 AND THAT GULF WOULD APPRECIATE EMBASSY ASSISTANCE IN THIS REGARD. AMBASSADOR INFORMED HIM OF HIS MEETING SEPTEMBER 30 WITH FINANCE MINISTER BARUA AND HIS DEPUTY, ROBERTO KEIL. AMBASSADOR NOTED THAT HE HAD POINTED OUT TO BARUA IMPORTANCE WHICH USG STTACHES TO COMPENSATION FOR GULF AND THAT PROMPT NEGOTIATION OF SETTLEMENT NOW APPEARS CALLED FOR. EMBASSY OFFICER INFORMED CECIL OF KEIL'S REACTION: HE HAD SEEMED SURPRISED AND SAID HE WAS UNDER IMPRESSION THAT LEGAL ACTION IS PROCEEDING NORMALLY AND THAT A COMPENSATION FIGURE OF \$1.5 TO \$1.8 MILLION IS UNDER CONSIDERATION. CECIL REACTED SHARPLY AND SAID HE WONDERED WHERE KEIL GOT HIS FIGURE; GULF IS NOW THINKING IN TERMS OF \$2.5 MILLION IN COMPENSATION, INCLUDING \$1 MILLION IN FOREGONE EARNINGS IT BELIEVES IT LOST BECAUSE OF CANCELLATION OF CONTRACT.

2. CECIL SAID HE HAD READ LIMA 8057 AND NOTED EMBASSY STATE-CONFIDENTIAL

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MENT TO EFFECT THAT QUESTION OF COMPENSATION WOULD HAVE

TO BE RESCUED FROM PERUVIAN LEGAL PROCESS. EMBASSY OFFICER CONFIRMED THIS, NOTING THAT GULF HAD APPARENTLY BEEN CONTENT TO LET MATTER RIDE FOR MONTHS, THUS PERMITTING IT TO GO WELL DOWN THE ROAD DETERMINED BY PERUVIAN LAW, AND THAT IT WOULD TAKE SOME WORK TO PLACE IT IN ANOTHER CONTEXT. IN THIS CONNECTION, HE WONDERED WHAT HAD PROMPTED GULF'S APPARENT SUDDEN CHANGE IN ATTITUDE TO THE EXTENT OF EVEN BRINGING PRESSURE TO BEAR IN WASHINGTON TO EXCLUDE PERU FROM GSP ELIGIBILITY.

3. CECIL EXPLAINED THAT GULF HAD BEEN CONCERNED THAT FOCUSING TOO MUCH ATTENTION ON ITS PROBLEMS IN PERU BY INSISTING ON PROMPT NEGOTIATIONS WITH THE GOP MIGHT HAVE HAD AN ADVERSE EFFECT ON THE FAR LARGER PROBLEMS IT WAS HAVING IN VENEZUELA AND KUWAIT. AN ADVERSE OUTCOME HERE MIGHT HAVE ENCOURAGED SIMILARLY NEGATIVE OUTCOMES ELSEWHERE. AS A RESULT, GULF HAD BEEN CONTENT TO LET MATTERS RIDE IN PERU, PARTICULARLY IN VIEW OF THE RELATIVE SMALL SUM INVOLVED. HOWEVER, IN MID-SEPTEMBER A DEVELOPMENT OCCURRED WHICH PALCED THE MATTER IN ANOTHER LIGHT. DURING THE COURSE OF A CONVERSATION AT PETROPERU, CECIL LEARNED THAT THE GOP HAD ACTUALLY APPOINTED TWO EVALUATORS TO ESTABLISH THE VALUE OF GULF'S ASSETS. WHEN CECIL REPORTED THIS TO HIS SUPERIORS, IT WAS DECIDED THAT MATTERS HAD GONE TOO FAR AND IT WAS NOW TIME FOR DIRECT NEGOTIATIONS. (NOTE: GULF PRESUMABLY BELIEVES, PERHAPS WITH SOME JUSTICE, THAT ITS CHANCES FOR A SATISFACTORY OUTCOME WILL BE IMPROVED IF COMPENSATION IS DISCUSSED IN A FORUM WHERE GULF WILL HAVE A MORE DIRECT INFLUENCE ON THE OUTCOME.)

4. THE AMBASSADOR COMMENTED THAT IN HIS VIEW CECIL AND GULF HAD BEEN PRACTICING WHAT MIGHT BE REGARDED AS A BIT OF ECONOMIC BRINKSMANSHIP. SINCE THE EXPROPRIATION, CECIL HAS BEEN IN AND OUT OF LIMA SEVERAL TIMES--MOST RECENTLY FOR THREE WEEKS IN LATE AUGUST/EARLY SEPTEMBER--BUT NEITHER HE NOR MCCAIN, WHO IS RESIDENT IN LIMA, HAD MADE ANY SERIOUS EFFORT TO BEGIN DIRECT NEGOTIATIONS WITH GOP OR SEEK EMBASSY ASSISTANCE FOR THIS PURPOSE. EMBASSY WILL MAKE ITS BEST EFFORT TO BRING THE TWO SIDES TOGETHER AT THE NEGOTIATING TABLE, BUT CONFIDENTIAL

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AT THIS LATE STAGE IT MUST BE EXPECTED THAT THERE WILL BE SOME DIFFICULTY IN ACCOMPLISHING THE ABRUPT CHANGE OF COURSE GULF SEEMS TO WANT.

5. EMBASSY OFFICER TELEPHONED DR. CARLOS DELGADO, LEGAL ADVISOR OF THE MINES MINISTRY, THE NEXT DAY. DELGADO SAID THAT OFFHAND HE COULD PERCEIVE NO PROBLEM IN EXPLORING THE POSSIBILITIES OF BEGINNING NEGOTIATIONS

AND WOULD BE PLEASED TO COOPERATE. HOWEVER, HE SAID, HE HAD NOT BEEN IN CLOSE TOUCH WITH THE PROBLEM AND WOULD HAVE TO INVESTIGATE TO DETERMINE WHERE THE MATTER STANDS. HE ASKED THE EMBASSY OFFICER TO CALL HIM OCTOBER 6, WHEN HE HOPED TO HAVE THE NECESSARY INFORMATION. EMBASSY HAS INFORMED MCCAIN ACCORDINGLY.

6. COMMENT: WE WILL, OF COURSE, DO OUR BEST TO ARRANGE FOR DIRECT NEGOTIATIONS BETWEEN GULF AND THE GOP AND BELIEVE THAT THERE IS GOOD CHANCE THIS WILL BE POSSIBLE. IN THE MEANTIME, IT SEEMS DIFFICULT TO FAULT GOP FOR CONSEQUENCES OF GULF'S TRYING TO PLAY IT BOTH WAYS. DEAN

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